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E.O. 11652: GDS

TAGS: EGEN, ECON

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
APRIL 26, 1977

1. US-ASEAN CONSULTATIONS (LIMITED OFFICIAL USE)

BELISARIO, MINISTER COUNSELOR AT THE PHILIPPINE EMBASSY
CALLED THE PHILIPPINE DESK SAYING THAT THE ASEAN
STANDING COMMITTEE PROPOSED JUNE 15-17 FOR THE US-ASEAN
ECONOMIC CONSULTATIONS. WE SHOULD AWAIT HEGINBOTHAM'S
RETURN THURSDAY SINCE HE TOLD ME ON THE PHONE FROM SEATTLE
THAT GOP INDUSTRY SECRETARY PATERNO WAS GOING TO TAKE
OVER COORDINATION OF US-ASEAN TALKS FROM THE FOREIGN
MINISTRY.

CONFIDENTIAL

PAGE 02 STATE 094237

2. ADB ANNUAL MEETING IN MANILA, APRIL 21-13 (LIMITED OFFICIAL USE)

THE ADB HAS JUST CONCLUDED A FAIRLY ROUTINE ANNUAL
MEETING IN WHICH NEW BANK PRESIDENT YOSHIDA CALLED FOR
ACCELERATED DISBURSEMENTS AND CONSIDERATION OF PROGRAM
LENDING. THIS WOULD CONTINUE THE TREND EVIDENCED LAST
YEAR WHEN BANK CONCESSIONAL LOANS ROSE 42 PERCENT. WORTH
NOTING ALSO IS THAT ABOUT 25 PERCENT OF ADB LOANS WENT TO
THE PRIVATE SECTOR. OF ADDITIONAL INTEREST IN THE MEETING

WAS BOARD CHAIRMAN RAZALEIGH'S (MALAYSIA) CALL FOR EXPANSION OF ADB ACTIVITY WITH INCREASED SUPPORT FOR REGIONAL (E.G. ASEAN) PROJECTS. RAZALEIGH ALSO ASSERTED LDC CONCERNS FOR HUMAN RIGHTS, A SENTIMENT ECHOED BY PHILIPPINE PRESIDENT MARCOS IN HIS OPENING REMARKS. THE VIETNAMESE ATTENDED THE MEETING AND TOOK FAIRLY LOW KEY, NON-CONTROVERSIAL STANCE. IN A SEPARATE MEETING WITH US DELEGATION BANK PRESIDENT YOSHIDA EMPHASIZED BANK WOULD EXAMINE LOANS TO VIETNAM ON A CASE BY CASE BASIS WITH NO ACTION EXPECTED BEFORE LATE SUMMER AT THE EARLIEST.

3. ESCAP AND MEKONG COMMITTEE DEVELOPMENTS VIS-A-VIS
THE SRV AND LAOS (CONFIDENTIAL)

SHORTLY BEFORE THE OPENING OF THE ANNUAL ESCAP MEETING NOW IN SESSION IN BANGKOK, A HIGH LEVEL ESCAP DELEGATION VISITED HANOI. DURING THESE TALKS THE VIETNAMESE REQUESTED AID FOR ROAD CONSTRUCTION TO LAOS, RAILWAY MODERNIZATION, TELECOMMUNICATIONS TRAINING, OFFSHORE OIL AND MINERAL EXPLORATION AND FLOOD/TYPHOON CONTROL AND WARNING. EXECUTIVE SECRETARY MARAMIS IN TURN EXPLAINED THAT ESCAP COULD ONLY PLAY AN INTERMEDIARY ROLE IN HELPING THE SRV OBTAIN ASSISTANCE. IN A BROADER VEIN THE VIETNAMESE ALSO COMMENTED THAT THE TIME WAS RIGHT FOR HANOI AND WASHINGTON TO MOVE TOWARD A MORE SUBSTANTIVE RELATIONSHIP AND THAT THERE WAS NO REASON WHY BETTER
CONFIDENTIAL

PAGE 03 STATE 094237

RELATIONS WITH BANGKOK COULD NOT BE ACHIEVED. IN CONFORMITY WITH THIS MORE FORTHCOMING VIETNAMESE POSITION, PROGRESS TOWARD REACTIVATION OF THE MEKONG COMMITTEE HAS MOVED FORWARD, ALBEIT WITH SOME FITS AND STARTS. DESPITE VERBAL SPARRING IN THE ESCAP PLENARY BETWEEN THAILAND ON ONE SIDE AND LAOS AND VIETNAM ON THE OTHER AND A FROSTY INITIAL INFORMAL MEKONG SESSION, AN APRIL 21 MEETING WAS CHARACTERIZED BY AN ATMOSPHERE OF CONCILIATION AND COOPERATION. ALL THREE COUNTRIES HAVE NOW AGREED ON THE FORMATION OF AN INTERIM COMMITTEE WITH THE PROVISION THAT A FOURTH MEMBER (CAMBODIA) CAN JOIN LATTER. THIS CLEARS THE WAY TOWARD A POSSIBLE REACTIVATION OF THE PROGRAM AND A RENEWED FLOW OF DONOR CONTRIBUTIONS (AUSTRALIA, NEW ZEALAND, NETHERLANDS, AND JAPAN). ALTHOUGH VIETNAMESE INTEREST IN AND SUPPORT OF THE MEKONG HAS WAXED AND WANED, IT NOW SEEMS WE MAY WELL SEE RENEWED ACTIVITY IN THIS AREA IN THE COMING YEAR.

4. LOME CONVENTION MEMBERS CONCLUDE MEETING IN SUVA
(LIMITED OFFICIAL USE)

THE EEC AND AFRICAN, CARIBBEAN, AND PACIFIC (ACP) COUNCIL OF MINISTERS WRAPPED UP THEIR SECOND MEETING ON A SUCCESSFUL NOTE ON APRIL 15. MOST DELEGATIONS WERE

PLEASED WITH THE RESULTS AND THE ATTITUDE SHOWN BY THE
EEC IN RESPONDING TO ISSUES RAISED BY THE ACP SECRETARIAT
AND OTHERS.

DISCUSSIONS WERE HELD ON STABEX, THE PROGRAM TO STABILIZE
EXPORT EARNINGS, DURING WHICH WESTERN SAMOA AND TONGA
WERE EXTENDED THE PROVISIONS OF STABEX, REGARDLESS OF
THE DESTINATION OF THE PRODUCTS SHIPPED. SUGAR WAS ALSO
DEALT WITH AND IT WAS DECIDED TO OPEN NEGOTIATIONS ON
GUARANTEED PRICES IN BRUSSELS ON APRIL 28.

5. SENATE COMPLETES MARK-UP OF FY 78 IFI LEGISLATION
CONFIDENTIAL

PAGE 04 STATE 094237

(UNCLASSIFIED)

IN A MARK-UP SESSION LAST WEEK THE SFRC AUTHORIZED THE
FULL ADMINISTRATION FY 78 IFI REQUEST (ADB: DOLLARS 180
MILLION FOR THE ADF OVER THREE YEARS AND DOLLARS 814
MILLION FOR ORDINARY CAPITAL OVER FOUR YEARS). HUMPHREY'S
HUMAN RIGHTS LANGUAGE, WHICH THE ADMINISTRATION SUPPORTED,
WAS ALSO APPROVED. IN ADDITION A NON-MANDATORY PALM OIL,
SUGAR AND CITRUS AMENDMENT WAS INSERTED WHICH WOULD
REQUIRE OUR EXECUTIVE DIRECTORS TO CONSIDER WHETHER BANK
LOANS FOR THESE PROJECTS WOULD INCREASE COMPETITION
AGAINST US PRODUCTS. THE LEGISLATION NEXT MOVES TO THE
APPROPRIATION STAGE IN THE SENATE, FOLLOWING WHICH
DIFFERENCES WITH THE HOUSE (E.G. HUMAN RIGHTS, PALM OIL)
WILL HAVE TO BE IRONED OUT IN CONFERENCE.

6. EA EMBASSIES HERE RECEIVE ENERGY BRIEFING
(LIMITED OFFICIAL USE)

AS PART OF A GENERAL SESSION WITH THE WASHINGTON
DIPLOMATIC COMMUNITY, EA AMBASSADORS WERE BRIEFED BY
ENERGY ADMINISTRATOR SCHLESINGER ON THE PRESIDENT'S
ENERGY PLANS SHORTLY BEFORE THEY WERE UNVEILED BEFORE
CONGRESS. FROM QUESTIONS AND ANSWERS IT APPEARED THERE
WAS CONSIDERABLE INTEREST AND APPROBATION OF THE PROGRAM.
ONE QUESTION ON WHICH SEVERAL AMBASSADORS FOCUSED WAS
THE RELEVANCE OF THE US ENERGY PROGRAM TO THE IMPORTS OF
AUTOMOBILES, A CONCERN PARTICULARLY ACUTE FOR THE
JAPANESE. IN FACT PRESS REPORTS FROM TOKYO INDICATE THAT
THE JAPANESE FEEL THE STRUCTURE OF THE REBATE SYSTEM MAY
INDEED BE DISCRIMINATORY AND IN VIOLATION OF THE GATT.
THE ONLY OFFICIAL WORD ON THIS SO FAR IS THAT STR IS TO
NEGOTIATE EQUITABLE AGREEMENTS WITH EACH AUTOMOBILE
EXPORTING COUNTRY. SUCH NEGOTIATIONS WOULD NOT TAKE
PLACE UNTIL AFTER LEGISLATIVE ACTION. THERE IS
CONSIDERABLE SPECULATION ON THE HILL THAT WHILE CONGRESS
CONFIDENTIAL

PAGE 05 STATE 094237

WILL GO ALONG WITH TAXING "GAS GUZZLERS", THE COMPLEXITY AND OTHER ASPECTS OF THE REBATE PROPOSAL WILL TURN THEM AWAY FROM ENACTING IT.

7. SPECIAL TRADE REPRESENTATIVE CONFERS IN GENEVA
(LIMITED OFFICIAL USE)

SPECIAL TRADE REPRESENTATIVE STRAUSS CONCLUDED LAST WEEK A SHORT VISIT TO GENEVA WHERE HE STRESSED THE STRONG US COMMITMENT TO FAR REACHING MTN RESULTS AND A START ON SERIOUS NEGOTIATIONS PROMPTLY AFTER THE ECONOMIC SUMMIT. IN BILATERAL CONVERSATION STRAUSS HEARD AUSTRALIAN DEPUTY PRIME MINISTER ANTHONY PLUG FOR A COOPERATIVE ARRANGEMENT ON GRAINS WITHIN THE MTN AND EXPRESS RESERVATIONS ON SOME ASPECTS OF US SUGAR POLICY (SEE BELOW). STRAUSS CONTRADICTED THE JAPANESE AMBASSADOR'S SUGGESTION THAT MTN AWAIT UNTIL THE WORLD ECONOMY IS IN BETTER SHAPE AND TOLD THEM THAT HE WAS NOT SATISFIED ON THEIR POSITION REGARDING TELEVISION EXPORTS TO THE US.

8. SHOE IMPORTS TO RECEIVE CLOSE SCRUTINY (UNCLASSIFIED)

ON MAY 1 THE USG WILL INITIATE DETAILED MONITORING OF NON-RUBBER FOOTWEAR IMPORTS. THE PROGRAM WILL PROVIDE UP TO DATE DATA ON DEVELOPMENTS SUCH AS SHIFTS IN COMPOSITION OR ABRUPT CHANGES IN THE DISTRIBUTION OF BUSINESS. THE PROGRAM CALLS FOR CUSTOMS TO REPORT WEEKLY ON IMPORTS FROM THE LEADING EXPORTERS BY COUNTRY AS WELL AS TOTALS, BROKEN DOWN BY CATEGORY AND GROUP.

ALSO IN ORDER TO PROTECT THE ORDERLY MARKETING AGREEMENTS TO BE NEGOTIATED WITH KOREA AND TAIWAN, THE US NEGOTIATING TEAM MAY NOW STOP IN TOKYO AND HONG KONG (AND SOME SOUTH ASIAN AND EUROPEAN COUNTRIES) BUT NOT THE PHILIPPINES TO CONSULT WITH AUTHORITIES.

CONFIDENTIAL

PAGE 06 STATE 094237

9. MTN - STATUS OF OFFERS ON TROPICAL PRODUCTS
(LIMITED OFFICIAL USE)

WITH JAPANESE NOTIFICATION OF GATT OF DIET APPROVAL OF ITS FINAL TROPICAL PRODUCTS OFFER AND SUBMISSION OF THE CANADIAN OFFER TO PARLIAMENT THE US AND AUSTRIA REMAIN THE ONLY TWO COUNTRIES NOT TO HAVE IMPLEMENTED THEIR TROPICAL PRODUCT OFFERS. AUSTRIA HAS NOTIFIED THE SECRETARIAT THAT IT INTENDS TO IMPLEMENT AN IMPROVED OFFER. ALTHOUGH THIS PUTS THE US IN A SOMEWHAT EMBARRASSING POSITION, IN REALITY WE ARE NOT AS ISOLATED SINCE THE LDCS ARE DISSATISFIED WITH THE TROPICAL PRODUCTS OFFERS

OF MOST OF THE OTHER DCS.

10. THE INTERNATIONAL SUGAR AGREEMENT
(LIMITED OFFICIAL USE)

JULES KATZ REPORTS THERE IS EVIDENCE OF STRONG INTEREST IN AN INTERNATIONAL SUGAR AGREEMENT AND CHANCES ARE REASONABLY GOOD THAT AN AGREEMENT WILL BE REACHED EVEN IF NOT NECESSARILY AT THIS SESSION. THE MAJOR ISSUE IS THE BASIC MECHANISM THROUGH WHICH TO ACHIEVE GREATER PRICE STABILITY, I.E. EXPORT QUOTAS OR STOCKPILING. THE US PROPOSAL IS FOR A COMBINATION OF BOTH. THE AUSTRALIANS HAVE INITIALLY CRITICIZED OUR PROPOSAL BUT HAVE SINCE COME AROUND AND WOULD LIKE TO WORK WITH US CLOSELY. JAPAN IS ALSO UNHAPPY BECAUSE OUR PROPOSAL INCLUDES FINANCIAL CONTRIBUTIONS FROM IMPORTING COUNTRIES TO STOCKPILING. OTHER ISSUES TO BE DEALT WITH ARE PRICE LEVEL AND ALLOCATION OF MARKETS. IT IS LIKELY THAT WE WILL BE SOON PRESSURED ON THIS LATTER QUESTION BY SOME OF OUR REGIONAL CUSTOMERS LIKE THE PHILIPPINES. OUR POSITION AT THIS TIME IS TO STAY OUT OF THIS AND URGE THE PRODUCERS TO REACH AN UNDERSTANDING AMONG THEMSELVES.

11. TRADE POLICY STAFF COMMITTEE DECISIONS ON SUGAR
CONFIDENTIAL

PAGE 07 STATE 094237

FAVORABLE FOR FOREIGN PRODUCERS (CONFIDENTIAL)

LAST MONDAY THE MAJORITY OF THE TRADE POLICY STAFF COMMITTEE (TPSC) RECOMMENDED TO THE PRESIDENT THAT NO IMPORT RELIEF BE GRANTED ON SUGAR AND THAT ADJUSTMENT ASSISTANCE BE DELAYED PENDING NEGOTIATION OF A NEW INTERNATIONAL SUGAR AGREEMENT. AGRICULTURE, FAVORING INCREASED TARIFFS, DISSENTED. AT THE SAME TIME THE TPSC RECOMMENDED DENIAL OF THE AMERICAN FARM BUREAU
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